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Senator Sikkema Announces Deal with Governor and Speaker to Renew Michigan's Economy

Deal focuses on business-tax cuts, economic diversification and investments for job creation

Lansing - Senate Majority Leader Ken Sikkema today announced a deal has been reached with the Speaker of the House and the governor regarding business taxes and economic investment. The agreement would provide more than a billion dollars in business-tax cuts and another billion dollars for economic diversification as a way to spur more job opportunities.

"This compromise would provide tax relief, tax restructuring across the board and investments in economic diversification. We have combined several pieces of Michigan's economic puzzle because our problems are so large they must be addressed from many different angles," said Sikkema, R-Wyoming. "Michigan's future will involve an economy vastly changed from what we've known so we must position the state to be ready for it. At the same time, a short-term focus on immediate business-tax relief can play an important role in helping our economy."

Sikkema said he was pleased that much of the Senate's work on economic diversification remains intact in the agreement.

The underlying programs and priorities, legislative oversight, transparency for the public, and accountability provisions would remain the same as those approved by the Senate earlier this year. Also maintained is the \$1 billion commitment to economic diversification; however the funding has been reconfigured. Under the agreement, only \$400 million of the tobacco-settlement funds would be securitized to provide immediate investment in the economy. The remaining \$600 million is paid for by committing \$75 million per year of tobacco-settlement funds for eight years beginning in fiscal year 2008. The advantage to this method is that the state would save approximately half a billion dollars in interest costs over the next 20 years.

"The Senate-passed plan envisioned a vibrant economy with new companies and jobs being created and small businesses, medium-sized businesses and large businesses involved in manufacturing, high-tech, life sciences and information processing," Sikkema said. "It's a dynamic economy and a dynamic vision that remains intact."

The business-tax cut portion of the agreement would provide for a \$1.14 billion cut over the next six years. This includes a reduction in the rate of the Single Business Tax from 1.9 percent to 1.85 percent and a five-year phase-out of the tax on healthcare provided by employers. A personal property tax credit for businesses also is included, as are incentives to invest in new personal property and cuts in the taxes small businesses pay under the SBT. In addition, the sales tax apportionment factor would be increased from 90 percent to 95 percent beginning Jan. 1, 2006, which encourages employers to locate property and jobs in Michigan.

In 2006, the first year of the tax cut, businesses will see a reduction totaling \$97 million. The cut increases to \$175 million in 2007.

Sikkema said that the trigger to provide more business-tax cuts in the future and restrain the growth in government spending did not make it into the final version of the agreement, but he is not done addressing the issue.

“We needed an agreement so there was some certainty for job providers and we could start getting Michigan back to work. The worst possible scenario was gridlock - that’s the biggest risk of all for Michigan,” Sikkema said. “I was willing to let the restraint issue go for now to get this agreement done. I didn’t want to prolong the discussions in the short-term. In the long-term, restraint on the growth of government spending is still vital to Michigan’s economic strength and I will continue to advocate for this.”

Sikkema said the Legislature will take action next week and he looks forward to the governor’s signature soon after.

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